PEXA ponders IPO or trade sale

Michael Bleby

Bank-backed PEXA, the online conveyancing company that predicted in 2015 it would IPO last year, is again preparing for a public listing within the next 18 months saying the business could be worth up to $3 billion in five to seven years' time.

Decisions by land titles registrars in WA, NSW and Victoria to set dates by which they would require settlements to be done electronically – without paper – gave PEXA's shareholders certainty about cash flow projections and allowed them to plan for a change of ownership, PEXA chief executive Marcus Price said.

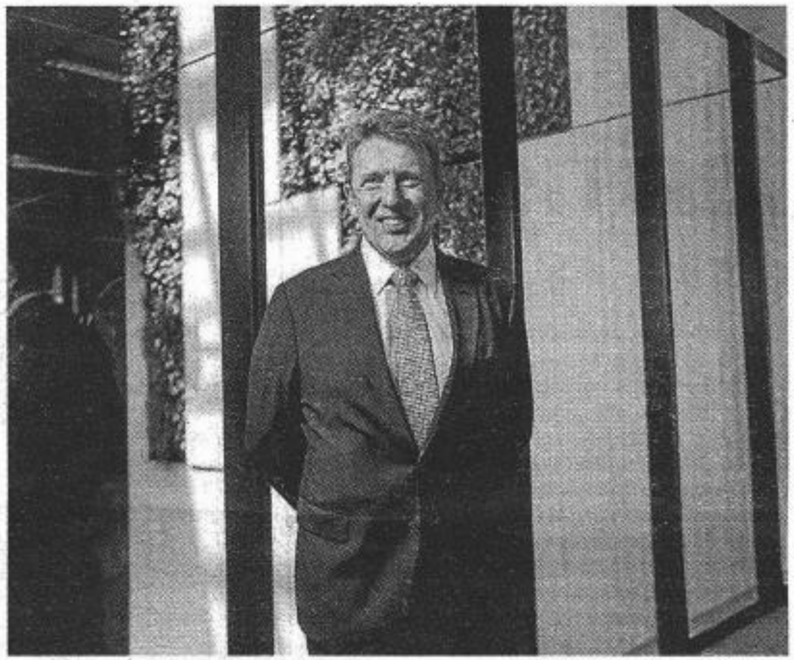
While bank-only refinancing transactions were easier to process electronically and would come first, the registrars' decisions meant the use of paper for property transfers – which account for 60 per cent of transactions – would end by 2019.

"There's a road map of shutdown dates for paper," Mr Price told *The Australian Financial Review*. "It gives certainty to all the players. That was the problem last year. The registrars were very keen to have this industry transition ... but they couldn't be certain. They finally got certainty and clarity on this. It's been the most significant step for sure, and changes materially our projections and our future."

The company is advised by CITIC CLSA but has not done any work on appointing banks to manage or underwrite any float.

It's a significant time for PEXA, born out of a 2010 agreement by the Council of Australian Governments to automate conveyancing in the Australian residential property market. It marks success for a proptech play that also has application in other countries.

The project championed by former finance and deregulation minister Lindsay Tanner is testament to the unifying power of Australians' love of property – in just seven years state and federal authorities, not to mention the big four banks, could agree on the far-reaching legislative and practical changes needed to fundamentally change the infrastructure of a sector that transacts 1 million properties annually with a value of $280 billion.



Marcus Price says PEXA will look at new markets and services. PHOTO: WAYNE TAYLOR

The prospect of real-time collection of stamp duty is a big incentive for states.

It means growth. PEXA currently manages 20 per cent of all refinancing transactions and only up to 4 per cent of all transactions in the highly fragmented transfers market, in which title changes from one owner to another. The registrars' decisions meant those percentages would soar, Mr Price said.

"We reckon we'll have 85 per cent to 90 per cent by 2019," he said.

Having established a national conveyancing network meant PEXA's foundation shareholders – which comprise Macquarie Bank and the big four of ANZ, NAB, CBA and Westpac, the governments of Victoria, NSW, Queensland and WA, businessman Paul Little and registry company Link Group – could reassess their role in the company, which currently has a revenue of $1 million per month.

An IPO was preferable to a trade sale to a body such as an infrastructure consortium, as it would allow individual shareholders to remain involved if they wished, he said.

Macquarie is the largest single shareholder, with 24.9 per cent, followed by WA state government (14.3 per cent), CBA (14 per cent), Link (11.4 per cent) and Mr Little (9.3 per cent).

PEXA is no longer pursuing a stake in privatisation of state titles offices, but is looking at expanding into other services, such as an apps allowing customers to track the progress of their settlement and a property "passport" that could allow consumers to store all the documents required for a transaction and access them again when needed.

"There are lots of opportunities, lots of new things," Mr Price said. "PEXA could be a $2 billion to $3 billion company."

There were risks to that five-to-seven-year forecast, he warned.

"The full range of digital benefits gets you a $2 billion or $3 billion company," he said. "A mediocre result is a $1 billion company."